

## Season 2, Episode 8

### Updated NAIC 2020 Priorities with NAIC President and SCDOI Dir. Ray Farmer

**Ray Farmer** [00:00:01] We do well when we all sit down at the table together.

**Mike Consedine Intro** [00:00:09] Welcome to the regulator's podcast, where we break down the important issues facing insurance regulators, consumers, and the industry. I'm your host, Mike Constantine, CEO for the NAIC.

**Ray Farmer** [00:00:22] We have a lot on our plate, but our plate has now turned into a platter.

**Mike Consedine** [00:00:35] As the third quarter of the year comes to a close and the leaves on the trees begin to change. I thought to be a great opportunity to catch up with NAIC President and Director of the South Carolina Department of Insurance, Ray Farmer, to discuss this extraordinary year filled with a pandemic, natural and economic catastrophes, social justice movement and who knows what else and their impact on state insurance regulation and the NAIC in 2020 and beyond. So, thanks for joining me Director Farmer, I guess first question is, how are you holding up?

**Ray Farmer** [00:01:05] We're doing well, Mike. Thanks for having me back.

**Mike Consedine** [00:01:08] It's a pleasure to have you. And it has truly been an extraordinary year. And before you get too far into it and start talking about sort of the new normal that we're hopefully still on our journey to, let's just stop for a minute and take you back to a time when things were the old normal, if you will. And I want us to revisit that very first podcast we did together, which I know seems like an eternity ago. But it was only eight months since that conversation and that podcast was season two, episode one. You want to go back and listen to that conversation in its entirety. We had just wrapped up what ironically now turns out to be our last in-person national meeting in Austin, Texas, where you are elected president of the NAIC. And we sat down there, and I asked you about your vision and priorities for 2020.

**Mike Consedine** [00:02:02] And here's what you shared as you began to share your vision.

**Ray Farmer:** (Clip from Season 2 Ep. 1) Sometimes you get to pick the subject and sometimes the subject picks you.

**Mike Consedine** [00:02:10] So in that clip, you were speaking about specifically long-term care. And it's priority one of our top priorities for 2020. And I want to come back to your thoughts on that topic because it is an important one. But first, let's talk about that statement and the subject of how in this case, it was a global pandemic that ended up picking you and us as an organization, for that matter, requiring us to really switch gears and update our priorities.

**Mike Consedine** [00:02:38] And this is you often observed, not the year we planned for, but it was the year we got, and we quickly pivoted to take on all of the challenges. We revised our priorities. We've made focus on this pandemic. Our priority one. And we started looking closely at its impact on the sector and consumers. And as you were sort of going through those moments here, still early in your presidency, what are some of the

things you initially felt were really important for us to address and for your colleagues across the country to focus on?

**Ray Farmer** [00:03:18] After we all got over the shock of the pandemic hitting and our lives turned upside down, we had to stop and pivot and drop whatever the new normal was. And at that point, we had no idea what. And we still may not know what the new normal is. If you'll recall, we just made a decision to cancel the spring national meeting, which was a tough decision. But we've had a series of tough decisions after that. And that was just getting us started. Here we are starting the fourth quarter of the year. And we thought we would be well beyond all of this by this point. But still, there's not a real end in sight to just yet. So, we had to decide. No, we're a membership organization. And the members needed a lot of help out of direction. No one had ever done this before. And that's the beauty of the in the NAIC.

**Ray Farmer** We're 56 jurisdictions and we help each other. We have, you know, from the great leadership all on the staff side. The staff provided us with a lot of tools. Our first priority every place was our individual offices. Everyone started working remotely and that was almost overnight. And so, we were all new to that process. We will have questions come up from the public, from our colleagues in state government about health insurance COVID 19 testing. We had basic issues like business interruption challenges. We were all told to shelter in place, stay at home, and we did that. And so auto insurers noticed that they were not paying out nearly as many claims. So, auto insurers began to refund some of our premiums that we paid until regulators needed to be closely involved in some required filings that needed quick approval. And then just on the practical side, everything closed down, which includes just about every business we have a lot of new graduates at the time. And other people that were seeking employment in the insurance industry. And for the most part, they needed a license of some sort. Mainly a producer license in some states have a provision for a temporary license. We provided a temporary license for those people that were seeking a job. Here again, the NAIC, NIPR started helping regulators in facilitating temporary licenses within the last 30 days through the NAIC, whose help in our license centers have gone to online proctoring. We've all learned some things that we can do better. You had to learn to do different and sometimes our different is better in the long run. And I think online proctoring of exams will certainly be part of that. And then the NAIC itself created the great CoronaVirus Resource Center, a place where everything every state has done for bulletins, to directives, to regulations, to any alert is in one central location. And so, the NAIC itself stood up to the challenge and has certainly helped every one of our members.

**Mike Consedine** I want to follow up on a couple of the things you touched on, particularly around sort of our transition to the new normal and some of the things that we're doing now that may stay. But I think it's important to go back because often, you know, the work of state insurance regulators is unsung and unknown by the general populace. But, you know, as somebody who had the privilege of working with this membership and in a time of crisis and seeing the early action where he touched on this, you know, we were getting the early access to COVID testing and ensuring that treatment was available and accessible and affordable. And at the same time, you know, working very closely with the insurance sector and the business community to allow for, you know, forbearances on business foreclosures and standing down on evictions.

**Mike Consedine** So in this case, your membership in you personally, where we're taking steps that fairly, I think can be said, saved the lives of Americans and kept them in their homes and kept them working.

**Mike Consedine** And that's you know, that's a pretty significant thing. Is that something you-thought at all about as you were going through this?

**Ray Farmer** Well, a little bit of both, Mike. We're all public servants. So, we were trying to figure out what is the next thing to do to help the public, whether it was asking companies to have a more lenient. So, payment or premiums or forbearance, loans, mortgages or defer payment on those.

**Ray Farmer** So I think you saw a pretty good example as Americans coming together from industry and regulators to see how we both could help the public. I think for the most part, the public recognizes that and certainly appreciates it.

**Mike Consedine** Has your experience through this point changed how you think going forward in terms of your own department?

**Ray Farmer** So, you know, every commissioner had to address their own personnel first. We've made sure that everybody could work from home. We made sure that they were healthy. So, we've gotten through that. Some states are going back to work in offices. Some are not ours. And here in South Carolina, we're about halfway back. We are on a staggered schedule. Some people were working, you know, every other day or three days, one week, two days, the next, whatever that it may be. We were getting used to that. And then all of a sudden it was time for school to start. We have a lot of young parents of school age children. And so here again, you had another instance where you have to meet your employees, where they are.

**Mike Consedine** You're listening to The Regulators. The podcast, where we break down important insurance issues.

**Mike Consedine** I'm certainly hoping for all of us. It starts to quiet down a little bit because, as you know, 2020 has been quite the year. And it gives me an opportunity to switch gears and talk about another issue that has defined. This year for us, which is Race and Insurance and in fact, we had a great special edition podcast just last month on this topic.

**Mike Consedine** Your colleague, Connecticut Insurance Commissioner Andy Mais, was the guest host and he and industry leaders had a really powerful discussion on race, diversity and inclusion in the insurance sector. Just a great podcast to listen to.

**Mike Consedine** Commissioner Mais may put me out of a job with that voice of his. But that aside, I think this is again, it has been a defining issue for not just this year, but I think for us organizationally. And it's one that. Yeah. It's you know, it picked us much like the pandemic.

**Mike Consedine** But we in turn, and particularly our leadership embraced it, brought the issue to the membership and engaged in really in meaningful, significant ways. And as you know, we had a special session on this topic back in the Summer National Meeting.

**Mike Consedine** We've now formed a special committee that is going to be focused on these issues and five work streams has the participation of a large number of our members.

**Mike Consedine** But, you know, maybe talk a little bit. Director, you know why it was so important for the NAIC to take this on?

**Ray Farmer** Well, first, Mike, I want to just second your comments on the great podcast. Commissioner Mais'. Commissioner [Marlene] Caride. Commissioner [Ricardo] Lara. Consumer Advocate Sonja Larkin Thorne and Aflac CEO Dan Amos, that has a powerful podcast. And I would recommend that to anyone. Go back and listen to that podcast before they address a lot of issues unique to them. But here again, as you said, Mike, this is an issue that found us. Just like COVID That was our time to lead. And we did that. this issue of race and injustice and race in insurance. It's time for us to address that. I'm proud of our 56 jurisdictions. We're all unique. We're diverse. We do well when we all sit down at the table together. The special committee: this gives us the perfect opportunity with those five Workstreams. We're looking at regulators at the NAIC, then we're looking at the industry, diversity in the industry and access to insurance. And then we're looking at three product lines, Property and Casualty, Life and Annuities and Health, all those three product lines, plus the other two issues. Everything is on the table before those work streams. We've been asked, what do we expect out of the special committee? What will they discuss? Well, they'll discuss anything that needs to be brought up by regulators and stakeholders and consumers. We've held that mirror up to ourselves. We've held it up to the industry. And consumer advocates are no different. They need to be diverse, just like rest of us. We're all in this initiative together. Quite honestly, I've been impressed by the CEOs of the large insurance companies. We have talked to a number of CEOs we've talked to just about every trade association, their president, their chairs of the board, some of the board members themselves. They're all committed to this initiative. But all that sounds good, Mike. Now is the time for us to start putting our action into words. So now let's see what we all do.

**Mike Consedine** And you've mentioned a number of times, Director, you know, where we're going to play the long game here, we know this is an issue, that it took us generations to get us here and it's not going to be something that we fix overnight.

**Mike Consedine]** And I think it's part of those calls to action that you've been making in talking to company CEOs and trade associations and consumer advocates. You made that point that, you know, we're committed. We are. You know, we're in this for the long haul. We've got, you know, officers coming up after you who will take this on.

**Mike Consedine** And this will be an issue that, you know, is with us for years to come. Is that message resonating with the insurance sector? Because I know part of your message in addition to that has also been, we want to work together. It's not something that we this has to be adversarial. This is an opportunity for us as a sector. Is that message getting through, you think?

**Ray Farmer** I do believe it is. We have had continued conversations. We have several conversations already scheduled in the next week or two, leaders of the trade associations and companies to continue to talk and see what they've done to what they're going to do, see what's on their list. But we need to be intentional about this. If you look at companies that have a great record of diversity and inclusion, they've been extremely intentional all the way through the process. We all need to adopt that philosophy. Diversity and inclusion comes from the top. If the leadership, the CEOs, the presidents of these organizations, if they're not on board, no one else will be either. You've seen the strong companies that have had diverse leadership and included these initiatives in their management style for years. And you're right. The three officers that immediately follow me have all committed

during their year as president that this initiative will be a top priority. Generally, we've seen in the past, if we have an executive level task force, 10 or 12 commissioners who will sign up, because that's their passion, everyone's passion about this one. We have 51 commissioners that have signed up.

**Mike Consedine** Well, it's been a privilege, again, Director, to be part of such a response by this organization to this issue. And we're excited to see what comes next. Let me take you in and a final trip on the way back. Time machine. And this wasn't on a podcast, but I distinctly remember a conversation in the spring of this year.

**Mike Consedine** We were kind of gearing up for our annual flood campaign and all that would follow in terms of then getting ready for hurricane season. And I think it was at that point, you kind of coined your phrase that Mother Nature doesn't really care that there's a pandemic going on. And sure enough, you know, here we are into now the fall and certainly into what has been a historically active hurricane season in the Gulf and the Atlantic. just as significant have been, the wildfires in the western part of the country So, the issue of climate resiliency has become also in 2020, another issue that the organization has had to come to grips with, and it was one that, you know, you said very early on in your presidency we were going to deal with. Talk a little bit about what even in the midst of a pandemic, you know, we found the ability to stretch and take on this issue and talk a little bit about sort of why this was so important for you as a leader and for the membership.

**Ray Farmer** As you mentioned, we are in the midst of a number of natural disasters, from tornadoes to hurricanes to the wildfires. I think all this is unprecedented. We've had all that for years. But it seems to me be magnified right now. Flooding continues. So, the NAIC itself is concerned. Make sure we address those issues. We've got to look at. Climate and Resiliency, we can do better on both of those. We can certainly do better in having our citizens better prepared for from any wind related event. We can build stronger houses, flood related events. We've got to quit building in flood plains, in wildfires. You can mitigate, you know, just around your own personal space in have fire resistant material. So, there's something to be done in each of those categories. And here again, I'm proud of the NAIC for stepping up and in addressing this issue in the middle of everything else. I'm honored to serve as co-chair of that Climate and Resiliency Task Force with California Commissioner Ricardo Lara, who has been a leader in this field in his short time as commissioner. You've seen other states step up. I think we have 21 commissioners that have signed up to lead this project as well. NAIC itself is committed to providing consumers with the tools they need to understand those catastrophes and the effects of them from flood to hurricanes to wildfires. So here again, we have a lot on our plate, but our plate has now turned into a platter. It's pretty big now. And we have the bandwidth to address all of these issues.

**Mike Consedine** I agree. And again, I think we've shown the ability to flex organizationally in ways that I don't even think we could have appreciated nine months ago. Director let me ask you just a final question here, As you look back and think about that original list of priorities that you had sketched out to our memberships, you know, early on and in 2020. What's the one that you still, you know, go back to in terms of as a member of the NAIC and as a state insurance regulator that we can't lose sight of.

**Ray Farmer** Without a doubt, it would be Long-Term Care insurance. That is an issue that begins to look at under the leadership of Commissioner [Julie Mix] McPeak from

Tennessee at the time. And certainly Superintendent [Eric] Cioppa last year brought it to the forefront.

**Ray Farmer** We've had here again another task force looking at this, and they've been doing so for a couple of years and they've done a great job. They're getting closer to some final recommendations and those are hard subjects as well. Long term care insurance is a product that was sold a lot 30 or 40 years ago. It's probably over sold, it was under price, it was over promised. And now all of those issues are coming home to roost. We have companies that are asking for tremendously high rate increases and probably rightfully so. But on the other hand, our consumers, through no fault of their own, bought that product, believe what the insurance companies were saying. And now they're faced with extremely high rate increases. So, we've got to pay attention to what the actuaries say. But we've also got to pay attention to what our consumers are saying as well. But without a doubt. Long term care insurance and all the issues surrounding that, we need to continue to address them.

**Mike Consedine** Well, thank you, Director, and thank you for this very detailed look at what is become a very unpredictable, ever changing 2020, and if I might say thank you for everything that you've been doing, I think you probably have had one of the most untraditional yet impactful years as an NAIC president. Again, not the year you expected, but I know you would certainly agree with me that you and your officers and our membership have really risen to the occasion.

**Ray Farmer** We all appreciate it. Mike, the officers have done a great job. I've just been in my spot and we've all worked well together, as you very well know. If you look at the calendar, we have one more quarter to go in [laughs]. So, we're ready for whatever the next surprise is. This is going to be in 2020.

**Mike Consedine** [00:22:22] I like that attitude, Director. And thank you again for taking time to speak with everybody today. Thank you all for listening to The Regulators. Join us each month and subscribe to The Regulators wherever you get your podcast.